

Policy and
Oversight



Financial and Performance Audits
Directorate

Quality Control Review

Coopers and Lybrand, L.L.P.
Audit of Wentworth Institute of Technology, Inc.
Fiscal Year Ended June 30, 1995

Report Number PO 97-018

May 9, 1997

Office of the Inspector General
Department of Defense

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May 9, 1997

Coopers and Lybrand L.L.P.
1301 Avenue of the Americas
New York, New York 10019-6013

SUBJECT: Quality Control Review of Coopers & Lybrand L.L.P.
Wentworth Institute of Technology, Inc.
Fiscal Year Ended June 30, 1995
Report No. PO97-018

Introduction

We are providing this report for your information and use. Your Boston, Massachusetts, suboffice performed the single audit for the Wentworth Institute of Technology, Inc. (the Institute), Boston, Massachusetts, a nonprofit educational institution. The audit is required by Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." The institute reported total Federal expenditures of \$3,538,048 for the fiscal year ended June 30, 1995, representing \$1,339,749 for the Department of Defense and \$2,198,299 for other Federal agencies.

Coopers and Lybrand L.L.P. issued its audit report September 13, 1995. The auditors questioned no costs and issued an unqualified opinion on the financial statements, schedule of Federal awards, and compliance with specific requirements applicable to major programs. They issued positive and negative assurance statements on compliance with general requirements. Positive assurance states that, with respect to the items tested, the results of the auditors' procedures disclosed no material instances of noncompliance. Negative assurance states that, with respect to the items not tested, nothing came to the auditors' attention that caused them to believe that the institution has not complied, in all material respects. The auditors also obtained an understanding of the internal controls related to the financial statements and Federal awards. The audit reports describe the auditor's scope of work in obtaining that understanding and assessing control risk. The report over Federal awards further describes the significant internal controls or control structure including the controls established that provide reasonable assurance that Federal awards are being managed in compliance with applicable laws and regulations.

Quality Control Review Results

The working papers supporting the OMB Circular A-133 audit met the applicable guidance and regulatory requirements in the OMB Circular A-133, its related compliance supplement, Government Auditing Standards, Generally Accepted Auditing Standards, and the provisions of the Federal award agreements.

Quality Control Review Objective

The objective of a quality control review is to assure that the audit was conducted in accordance with applicable standards and meets the auditing requirements of the OMB Circular A-133. As the cognizant agency for the Institute, we conducted a quality control review of the audit working papers. We focused our review on the following qualitative aspects of the audit: due professional care, planning, supervision, independence, quality control, internal controls, substantive testing, general and specific compliance testing, and the Schedule of Federal Awards.

We reviewed the most recent peer review dated September 23, 1994, performed by Ernst and Young L.L.P. that found that Coopers & Lybrand L.L.P. met the objectives of the quality control review standards established by the American Institute of Certified Public Accountants and the standards were being complied with during the fiscal year ended March 31, 1994.

Scope and Methodology

We used the Uniform Quality Control Guide for Single Audits (the Guide) that was approved by the President's Council on Integrity and Efficiency in 1984 as guidance for performing the quality control review procedures. The Guide is organized by the general and field work audit standards and the required elements of a single audit. It is further divided into the substantive work performed during the audit of the financial statements and the specific program compliance testing for major programs. In addition, we supplemented the Guide to include additional review of transaction testing. Our review was conducted from October 21 through 23, 1996.

We limited the scope of our quality control review to the audit working papers covering areas related to the Department of Defense expenditures: the financial statements and the research and development (R&D) program. The R&D program expenditures were approximately \$1.5 million and accounted for 43 percent of total Federal award expenditures.

Results of Prior Quality Control Reviews

We identified minor quality control review findings and recommendations at three of the nine Coopers & Lybrand L.L.P. locations we visited between January 1, 1995, and December 31, 1996. The affected offices were notified and no further action is necessary.

Background

The Inspector General Act of 1978, Public Law 95-452, prescribes the duties and responsibilities of that office. In implementing these responsibilities, the Inspector General is required to "take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General."

The Single Audit Act of 1984 (Public Law 98-502) was intended to improve the financial management of state and local governments whose total annual expenditures are \$100,000 or more with respect to Federal financial assistance programs; establish uniform requirements for audits of Federal financial assistance; promote efficient and effective use of audit resources; and ensure that Federal departments and agencies rely on and use the audit work done under the Act, to the maximum extent practicable.

The Single Audit Act Amendments of 1996, based on 12 years of experience under the 1984 Act, are intended to strengthen the usefulness of single audits. The Amendments also bring nonprofit organizations, previously covered by similar requirements under the OMB Circular A-133, under the Single Audit Act provisions and increase the audit threshold to \$300,000.

The OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Institutions," establishes the Federal audit and reporting requirements for nonprofit and educational institutions whose Federal awards are or exceed \$100,000. It provides that an audit made in accordance with the Circular shall be in lieu of any financial audit required under individual Federal awards. An agency must rely on the audit to the extent that it provides the information and assurances that an agency needs to carry out its overall responsibilities. The coordinated audit approach provides for the independent public accountant, Federal auditor, and other non-Federal auditors to consider each other's work in determining the nature, timing, and extent of their respective audit procedures. It also requires that the cognizant agency obtain or conduct quality control reviews of selected audits made by non-Federal auditors and provide the results, when appropriate, to other interested organizations. The Circular is currently being revised to incorporate the changes in the Single Audit Act Amendments of 1996, which strengthens the role of the Department of Commerce Clearinghouse to process single audit reports.

Discussion of Results

During our quality control review, we reviewed and took no exception to the working papers supporting the following reports and schedules:

Report of Independent Accountants. The auditor is required to obtain reasonable assurance about whether the financial statements are free of material misstatement. We reviewed the audit program and the testing of evidential matter to determine whether testing was sufficient based on assessment of control risk to warrant the conclusion reached and whether the working papers supported the conclusion.

Report of Independent Accountants on the Schedule of Federal Award Expenditures. The auditor is required to subject the schedule to the auditing procedures applicable to the audit of the financial statements and to ensure that the amounts are fairly stated in relation to the basic financial statements. Our review was included in the steps of evaluation of the audit working papers related to the "Report of Independent Accountants."

Schedule of Federal Award Expenditures. The recipient is responsible for creating the Schedule. The auditor is required to audit the information in the Schedule and to ensure that it identifies major programs as defined by OMB Circular A-133 and total expenditures for each program. We reviewed the audit program for the appropriate procedures, reviewed a selected number of footings/cross-footings, and traced some of the amounts to the Subsidiary Ledger and/or Trial Balance.

Report of Independent Accountants on the Internal Control Structure Based on an Audit of Financial Statement Performed in Accordance With Government Auditing Standards. The auditor is required to obtain an understanding of the internal control structure that is sufficient to plan the audit and assess control risk for the assertions embodied in the financial statements. We reviewed the audit program for the appropriate procedures, the working paper documentation, and the substantive testing performed.

Report of Independent Accountants on the Internal Control Structure Used in Administering Federal Awards. The auditor is required to obtain an understanding of the internal control structure and assess control risk to determine whether the auditor intends to place reliance on the internal control structure. The auditor must perform tests of controls to evaluate the effectiveness of the design and operation of the policies and procedures in preventing or detecting material non-compliance, review the system for monitoring subrecipients and obtaining and acting on subrecipient audit reports, and determine whether controls are effective to ensure direct and indirect costs are computed and billed in accordance with the general requirements in the compliance supplement. We reviewed the audit program for the appropriate procedures, the working paper documentation, and the test of controls performed.

Report of Independent Accountants on Compliance With Laws, Regulations, Contracts, and Grants Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards. The auditor is required to determine whether the recipient has complied with laws and regulations that may have a direct and material effect on the determination of financial statement amounts. We reviewed the audit program for the appropriate procedures, the working paper documentation, its support, and the compliance tests performed.

Report of Independent Accountants on Compliance With Specific Requirements Applicable to Major Programs. The auditor is required to determine whether the recipient has complied with laws and regulations that may have a direct and material effect on any of its major Federal programs. They include Types of Services Allowed or Unallowed; Eligibility; Matching, Level of Effort, and/or Earmarking Requirements; Special Reporting Requirements; and Special Tests and Provisions. We reviewed the audit program for the appropriate procedures, checked the audit program steps to those in the Compliance Supplement to make sure all areas are audited, reviewed the working paper documentation and its support, reviewed the compliance tests performed, and re-evaluated selected compliance items.

Report of Independent Accountants on Compliance With General Requirements. The auditor is required to determine whether the recipient has complied with laws and regulations that may have a direct and material effect on any of its major Federal programs. General requirements are those that, if not observed, could have a material effect on the recipient's financial statements including those prepared for Federal programs. The auditor's procedures were limited to those prescribed in the OMB Compliance Supplement for "Audits of Institutions of Higher Learning and Other Non-Profit Institutions." We reviewed the audit program for the appropriate procedures, compared the audit program steps to those in the Compliance Supplement to make sure all areas are audited, reviewed the working paper documentation and its support, reviewed the compliance tests performed, and re-evaluated selected compliance items.

Schedule of Immaterial Findings. The auditor is not required to report immaterial findings in the audit report but should report them to the recipient in writing in a separate communication. The recipient is responsible for forwarding the findings to the Federal grantor agencies. We traced the findings in the working papers to the audit report to make sure that the report includes all findings identified in the working papers and that the findings are properly supported. We noted that there were a number of repeat immaterial findings, such as student financial aid disbursements and documentation missing. A complete listing of all the immaterial findings are in the enclosure to this report.

Comments

Since this report contains no findings or recommendations, written comments are not required. However, we are sending a letter to the Institute requiring its response to the findings identified in the management letter, emphasizing the need to eliminate repeat findings in future audit reports. We appreciate the courtesies extended during the review. If you have questions on this report, please contact Mr. Donald Steele, Project Manager, at (703) 604-8705 or Ms. Vera Garrant at (703) 604-8743.



Russell A. Rau
Assistant Inspector General
Policy and Oversight

Enclosure

cc: Mr. Thomas E. Montminy, Partner
Coopers & Lybrand L.L.P.
Boston, Massachusetts

Board of Trustees
Wentworth Institute of Technology
Boston, Massachusetts

Resident Representative
Office of Naval Research
Boston Regional Office
Boston, Massachusetts

Wentworth Institute of Technology, Inc.
Fiscal Year Ended June 30, 1995

SCHEDULE OF FINDINGS

<u>Finding #</u>	<u>Title</u>	<u>Agency</u>
Student Financial Aid: WIT Findings: Pell Grant Awards		
1	Disbursements	DEd
2	Incorrect Calculation	DEd
Student Financial Aid: WIT Findings: Stafford Loans		
3	Missing Disbursement Checks*	DEd
4	Missing Entrance Interview*	DEd
Student Financial Aid: WIT Findings: Perkins Loans		
5	Missing Exit Interview*	DEd
6	Unsigned Promissory Notes	DEd
7	Missing Student Files	DEd
8	Past Due Accounts Not Assigned	DEd
Student Financial Aid: WIT Findings: Student Status Change Report		
9	Graduation Date Discrepancy*	DEd
Student Financial Aid: ECAT Findings: Pell Grant Awards		
10	Incorrect Disbursements	DEd
Student Financial Aid: ECAT Findings: Stafford Loans		
11	Missing Check Receipt Dates	DEd
Student Financial Aid: ECAT Findings: SEOG		
12	Incorrect Disbursements	DEd
Student Financial Aid: ECAT Findings: Perkins Loans		
13	Missing Exit Interview	DEd
14	Incorrect Disbursements	DEd
15	Missing Promissory Notes*	DEd
16	Separation Date Discrepancies	DEd
17	Unsigned Disbursements*	DEd

*Repeat finding from fiscal year 1994.

Enclosure
Page 1 of 3

Wentworth Institute of Technology, Inc.
Fiscal Year Ended June 30, 1995

SCHEDULE OF FINDINGS

<u>Finding #</u>	<u>Title</u>	<u>Agency</u>
Student Financial Aid: ECAT Findings: Refund Testing		
18	Incorrect Calculations	DEd
Student Financial Aid: ECAT Findings: SSCR Testing		
19	Transfers Not Identified	DEd
Student Financial Aid: ECAT Findings: General		
20	Improperly Identified Information	DEd
Student Financial Aid: WTS Findings: Pell Grant Awards		
21	Incorrect Disbursements	DEd
Student Financial Aid: WTS Findings: Stafford Loans		
22	Missing Exit Interview	DEd
23	Missing Check Receipt Dates	DEd
Student Financial Aid: WTS Findings: SEOG		
24	Incorrect Disbursements	DEd
Student Financial Aid: WTS Findings: Perkins Loans		
25	Missing Exit Interview	DEd
26	Missing Promissory Notes*	DEd
27	Incorrect Disbursements	DEd
28	Separation Date Discrepancies	DEd
Student Financial Aid: WTS Findings: Refund Testing		
29	No Refund Calculations*	DEd
Student Financial Aid: WTS Findings: SSCR Testing		
30	Separation Date Discrepancy	DEd

*Repeat finding from fiscal year 1994.

Wentworth Institute of Technology, Inc.
Fiscal Year Ended June 30, 1995

SCHEDULE OF FINDINGS

<u>Finding #</u>	<u>Title</u>	<u>Agency</u>
Research - Direct Cost Testing		
1	Alcoholic Beverages (\$15)	ONR
2	Unsigned Timecard	ONR
3	Untimely Expense Report	ONR

*Repeat finding from fiscal year 1994.

DEd	Department of Education
ECAT	East Coast Aero Technical
ONR	Office of Naval Research
SEOG	Supplementary Education Opportunity Grant
SSCR	Student Status Change Report
WIT	Wentworth Institute of Technology, Inc.
WTS	Wentworth Technical School

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